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THE SOVIET WORLD

The Polish government on 19 November presented notes to France, Belgium, the Netherlands, Luxembourg, Denmark and Norway asking support for Soviet policy against EDC and German rearmament. While the arguments of the note were not new, this is the first time in several years that Satellite diplomatic channels have been employed in direct support of Soviet policy in Europe.

On 14 November, Poland became the fifth East European Satellite to announce broad price reductions as part of the Orbit's new economic policy. Each Satellite government has hailed the price reductions, which range from five to fifty percent for a large number of consumer goods, as proof of a desire to improve the workers' standard of living. The significance of the reductions is greatly diminished in Poland, East Germany, Hungary and Czechoslovakia, however, by the fact that in these countries, unlike Bulgaria, prices have not been reduced for most basic food items, such as fresh meat, fats or dairy products. The effect on the standard of living of the average worker will probably be negligible because of the continuing scarcity of food and good-quality consumer goods.

In the past few weeks, the Soviet Union has accelerated its export of gold to a rate considerably above that of the last several years, when the value of annual Orbit shipments was estimated at between \$100,000,000 and \$200,000,000. Sales of approximately 800,000 ounces, worth about \$28,000,000, have been reported in France during the last month, and considerable quantities have reportedly been sold through London. These sales were made at a time when the free market price of gold was steadily falling to a point only slightly above the official rate.

Export of gold could probably be continued at the present rate without depleting the USSR's basic stockpile. Current annual production is now estimated to exceed 14,500,000 ounces or \$500,000,000.

In the past several years, the proceeds from Soviet gold sales have been largely used to finance clandestine purchases of strategic items from the West. The present gold sales would provide the foreign exchange required for the increased import of consumer goods.

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RECENT DEVELOPMENTS IN SINO-NORTH KOREAN RELATIONS

The ten-year Sino-North Korean economic and cultural pact signed at Peiping on 23 November demonstrates Communist China's growing influence in North Korean affairs. The consequences of Peiping's intervention in the war will make a restoration of Moscow's exclusive preserve unlikely and Moscow is now apparently willing to recognize that China shall have a major role in North Korea.

Sino-Soviet policy in North Korea, as elsewhere in the Far East, has long been evolved jointly, with the Chinese Communists acting as chief executors of the policy decided on. Communist China will apparently continue to have primary responsibility for the defense of North Korea. In a recent statement Chou En-lai promised that the Chinese people "will continue to carry out the movement of resisting American aggression and aiding Korea . . . closely guarding against resumption of the aggressive war."

Ambassador Dean observes that the Chinese delegate is "running the show" in the current preliminary talks at Panmunjom. Chinese and North Korean comment on the conference, which as recently as 27 October stressed that the "solution of the Korean problem was primarily the task of the Korean people themselves," now emphasizes the "historic friendship of China and Korea" and declares that the "destiny of the Chinese people is closely tied to that of the Korean people." Kim Il-sung's address on 27 October extolled "great China's" new role in Far Eastern affairs.

Within this framework, the Chinese Communists have made new overtures to Pyongyang. Peiping has repeatedly asserted that some of its "volunteers" would remain in North Korea to assist in economic rehabilitation. Around 1 August there reportedly arrived from Manchuria approximately 54,000 construction workers, whom the North Korean press described as the vanguard of 100,000 such workers.

vast quantities of construction materials had been observed coming into North Korea from Manchuria, and the North Korean press announced

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on 20 November that hundreds of Chinese construction workers had arrived to rebuild Pyongyang. The transfer of substantial numbers of Chinese workers to North Korea would alleviate its critical manpower shortage and permit a North Korean army build-up.

Peiping has shown particular interest in North Korean railroad reconstruction. The Chinese Ministry of Railroads reportedly planned to have 12,000 railway personnel in North Korea by the end of October, and five "Railroad Reconstruction Units," of 300 civilian workers each, are believed to have arrived from China in early September. Under the 23 November pact Peiping promised to help repair the Korean railway system and supply locomotives and freight and passenger cars.

More important, the pact provides for cancellation of North Korea's war debts to China and for Chinese assistance valued at eight trillion yuan (\$350,000,000 at the official rate of exchange) for North Korean economic rehabilitation between 1954 and 1957. The pact was the result of the visit to Peiping of a Korean economic delegation which included Kim Il-sung, the first time such a prominent group had visited a Communist capital other than Moscow.

These developments, concurrent with Soviet grants to restore North Korean heavy industry and continued control by the Soviet-Korean faction of key North Korean economic, political, and military posts, suggest that a balance of influence is being reached or has been agreed on between Moscow and Peiping. The latter's record of fidelity to Moscow, plus its own military and economic dependence on the USSR, makes it unlikely that Peiping is challenging Soviet leadership in Korea or elsewhere in the Far East.

Communist China has probably been delegated a prominent role in North Korea because of Soviet willingness to leave to Peiping the major military obligation in North Korea, as well as a desire to accommodate Peiping in the interests of Sino-Soviet harmony.

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REVIVAL OF THE FRENCH COMMUNIST THREAT

The French Communist decision to provoke the arrest on 22 November of Benoit Frachon, secretary general of the General Labor Confederation (CGT), dramatizes the renewed confidence of the party, which had been on the defensive since the failure of the anti-Ridgway demonstrations in May 1952.

Emboldened by the refusal of the National Assembly on 6 November to lift the parliamentary immunity of five Communist deputies, party leaders apparently determined to take advantage of the political weakness revealed by the general strike of last August.

In the fall of 1952, the government requested the National Assembly's Parliamentary Immunities Committee to lift the immunity of five Communist deputies accused of treason for subverting France's effort in the Indochina war. Subsequently, several Communist leaders were arrested on similar charges, and in the spring a warrant was issued for Frachon, who went into hiding.

In the meantime, the relaxation of tension following Stalin's death seemed to lessen the threat represented by the French Communist Party, and on 25 August a grand jury provisionally released several of the Communist leaders. The defeat of the government on the immunity measure was practically assured when the parliamentary committee issued an unfavorable report in late October.

The timing of the assembly's vote was particularly unfortunate, however, coming as it did immediately after the Indochina debate in which Communist criticism of the government's policy coincided with the views of many other deputies. Over and above those deputies who were induced by the widespread unpopularity of the Indochina war to listen sympathetically to Communist complaints of persecution, many opponents of the EDC were loath to reduce Communist parliamentary representation before the debate on the treaty.

The return last spring of Thorez, symbol of party unity, checked internal dissension and boosted morale, at ebb following the expulsion of Marty and Tillon. As a result of the failure of the government's legal moves, the Communist Party is no longer on the defensive and can devote all its attention to the economic and political front.

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Frachon emerged from hiding after the National Assembly had rejected the government's move against the five Communist deputies, and his recent public appearances were a challenge the government could not ignore. The fact that he courted arrest is illustrative of the party's new aggressive spirit. The Communist Party is now willing to risk his temporary imprisonment as proof of its charges of government persecution for political views.

The current political situation encourages non-Communists to take greater cognizance of the Communist Party as a factor in assembly deliberations. The presence of several non-Communist EDC opponents on the platform at the recent Communist-sponsored "Conference on the German Problem" is an indication of increased cooperation between Communist and non-Communist EDC opponents. In a speech on 12 November, De Gaulle stated that he was not afraid of the companionship of Communists in fighting against the EDC. Acting secretary general Jacques Duclos intimated at the central committee meeting in late October that the Communist Party might support a government opposed to the EDC and the Indochina war, but it is still quite unlikely that such an offer would be acceptable to enough non-Communist deputies.

The extent to which the Communists will push political agitation will become apparent during the 13-19 December "action week" in which the CGT is expected to stir up plant-level agitation on wages. Since the August strikes, the CGT has improved its position and the non-Communist federations may have difficulty resisting its unity of action campaign, particularly if legitimate economic grievances are highlighted.

Communist leaders are probably eager to exploit their current advantage both to create dissension in parliament for next month's presidential election and to show labor that the present government can be flouted with impunity. In any event, the "action week," which is to culminate in "international anti-Vietnamese-war day," will be the first major test of Communist-initiated action since May 1952.

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COMMUNIST GAINS APPARENT IN INDONESIA

During its nearly four months in office, the Indonesian government of Prime Minister Ali has consistently adopted policies acceptable to the Communists and has been strengthening its contacts with the Soviet bloc.

Prime Minister Ali, a member of the National Party, which dominates the cabinet, recently summed up the government's attitude toward the Communists when he told Ambassador Cumming, "We are not Communists, but they have the votes we need." The Communists' position was made clear in a directive to a provincial committee on 9 September stating that support of the government was a tactical device designed to gain "time to strengthen and organize the masses . . . for a future revolutionary struggle."

The government's domestic policy appears primarily directed at reducing any political advantages held by the Masjumi and Socialist parties, both of which are excluded from the cabinet. The Masjumi, or Moslem Council, is considered the largest political organization in predominantly Moslem Indonesia and with the Socialist Party forms the principal anti-Communist force in the country. Thus, the effect of the government's policy, whether intended or not, is to strengthen the Communists.

Important government posts formerly held by Masjumi and Socialist Party members, among many others the position of mayor of Djakarta, are being restaffed with National Party personnel. Although these changes appear superficially to be merely a result of the spoils system, they are significant in that anti-Communist individuals who are generally friendly toward the West are being removed.

The pro-Communist defense minister, Iwa Kusumasumantri, has reorganized his ministry, reducing the influence of anti-Communist elements in the armed forces and decreasing the possibility of a coup. The reorganization considerably diminishes the influence of the chiefs of staff of the three military services and completely eliminates the authority of the chief of staff of the armed forces. The latter post is held by Simatupang, an able and strongly anti-Communist officer of Socialist sympathies, who has long been under attack by the Communist Party.

The Masjumi and the Socialists are not represented on a nine-member Central Election Committee appointed on 5 November

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to organize and oversee Indonesia's first national elections, now expected in 1955. The Communist Party was also officially excluded, but will be represented by the Farmers' Corps, a Communist-controlled agrarian organization. This is considered the first step toward rigging the elections in favor of the Nationalists and Communists.

Actual appointment of alleged Communists has been noted only in the Ministry of Defense where the minister has named four as advisers. In the Labor Ministry, however, individuals long suspected of Communist leanings are assuming prominence, and officials of SOBSI, the Communist-controlled labor federation, are reportedly working closely with the minister. In addition, the minister of agriculture has markedly favored Communist agrarian organizations.

The government in October for the first time dispatched an ambassador to Peiping, where it had previously been represented by a charge d'affaires. An embassy is scheduled to be opened in Moscow in December. On the trade front, an Indonesian mission arrived in Peiping early in November to negotiate increased commercial exchanges with China. The prime minister has stated, however, that his government will not violate the UN embargo by shipping rubber to China.

These developments, in general, do not represent any sudden change in external policy but rather an acceleration of trends already charted by former cabinets under the "independent" foreign policy and vigorously pressed by the National Party-Communist bloc.

There is no indication that President Sukarno is concerned over the political situation. On 10 November, he charged that both fanatical Moslems and extreme Communists were awaiting the outbreak of a third world war to seize power. This was the president's first critical reference to Communism since the Ali cabinet assumed office. But he referred only to "extreme" Communists. Both Sukarno and National Party leaders apparently feel that they can maneuver the Communists in and out of the government as suits their purpose.

Efforts, particularly by the Masjumi, to develop a strong parliamentary opposition, have not been successful.

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GRUBER'S DISMISSAL FAILS TO SIMPLIFY ALLIES' PROBLEM IN AUSTRIA

The forced resignation of Foreign Minister Karl Gruber on 13 November has been accompanied by some sharpening of political debate in Austria. Neither this resignation, however, nor the selection of former chancellor Leopold Figl as his successor, is likely to change the "independent" line that Austrian policy has been following in recent months.

Gruber's dismissal resulted primarily from the gradual reduction of his political prestige during his eight-year tenure, and from personal rivalries within the People's Party, where Gruber has never played a prominent role. His resignation was precipitated by a country-wide controversy over his recently published memoirs, in which Gruber strongly implied that it was only his intervention which had blocked an understanding with the Communists in 1947. By this, the People's Party, and especially former chancellor Figl, would have agreed to a government acceptable to the Soviet Union.

Gruber's own career as foreign minister substantiates neither this implication nor his recent warning to the American ambassador prior to the choice of Figl, that Austrian foreign policy will be less pro-Western under his successor. On the contrary, Gruber's record shows that he has urged the Western powers to go far toward meeting Soviet conditions, and he has repeatedly made clear that Austria's main interest is in the conclusion of a treaty, rather than in its terms.

While Gruber was foreign minister, Austria made it plain that it would accept the burdens of the draft treaty's article 35 which requires Austria to pay the Soviet Union for German assets. Moreover, his visit with Nehru in Switzerland last summer led to an offer to Moscow of a declaration of Austrian neutrality, implying military neutrality only.

As a result of these concessions by Gruber, an "independent" Austrian policy has emerged to prejudice the position of the Western powers in the country. Austrian officials are now generally impatient with the occupation and even without Gruber will continue their efforts to get a treaty, or at least remove the evidences of the occupation.

A recognition of this Austrian restiveness and a consequent desire to head off imprudent Austrian actions was evident in talks held by the Western powers in Paris last month.

In order to convince the Austrians that everything possible was being done for them, it was felt that the West must hold the initiative in negotiations, and a general strategy of attempting to draw the Soviet Union into a conference on Austria was agreed on.

As a result, the Western note of 24 November, dispatched in answer to the Soviet note of 28 August, indicated that the West was prepared to study any Soviet proposal which, without raising extraneous issues, would promote an Austrian settlement. The British and French gave faint support to the plan of attempting a downward revision of article 35, probably as a consequence of Austria's weak stand. The British believe that a "show of generosity" to the Soviet Union in regard to payments for German assets will best expose Soviet intransigence, and the French argue that by this gesture the West may persuade Moscow to abandon demands for Austrian neutrality.

In general the Austrian situation, even under the dependably pro-Western Figl, contains elements of danger for the West. There is ample evidence that Austria will increasingly press for some extra-treaty solution of the German assets problem, for relaxation of the agreement on occupation controls, and for expansion of the Austrian security forces. Finally, the departure of Gruber, whose cooperation in the enforcement of trade controls was better than that of other Austrian officials, may mean some expansion of East-West trade.

Gruber's resignation has given the Socialist Party an opportunity to step up its criticism of the People's Party for its "soft" attitude toward Moscow, as indicated in the statement of Undersecretary of State Kreisky on 21 November that "until the Soviet Union undergoes a major transformation of policy, it will not agree to an Austrian treaty." It still seems likely, however, that a show of conciliation by the Soviet Union would revive Austrian hopes of ending the occupation through further concessions.

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THE COMMUNIST EFFORT TO EXPLOIT BOLIVIAN ECONOMIC INSTABILITY

The national economic crisis in Bolivia gives an ample opportunity for extremist solutions and as a consequence the Communists' position has slightly improved. At present the government seems capable of containing the threat, but if the masses of Indians are disappointed in the pending agrarian reform, the Communists will pose a serious threat to the maintenance of government authority.

Since the seizure of power by the Nationalist Revolutionary Movement (MNR) in April 1952, two small Communist parties have been trying to exploit the MNR's victory. These are a Trotskyite group called the Workers Revolutionary Party (POR) and the Communist Party of Bolivia (PCB).

The former, founded about 1945, achieved some prominence as an auxiliary of the MNR among the key mine workers' unions while the MNR was struggling to regain power between 1946 and 1952. At present, with a membership of only 2,000, the POR appears to lack effective organization. Its agitation centers mainly among the Indian masses in rural areas and its leaders seem to have lost much of the influence they formerly had with one of the strong figures of the present administration, Minister of Mines Juan Lechin.

The Stalinist PCB was founded in May 1950 in a split-off from a now defunct pro-Communist party which was then a rival of the MNR for mass support. Membership in the PCB has risen from an initial figure of about 100 to an estimated 2,000 last August. Its main support is found in the universities among both faculty and students, and among intellectuals in general. The party appears to be poorly organized and reportedly is sporadic in its meetings, but does maintain contact with such international organizations as the WFTU and with various front organizations.

The Communists have some strength in the powerful Bolivian Workers Central (COB) but by no means enough to dominate the policy of the organization. The MNR is dependent on the support of labor to continue in power, and on 23 October 1953, in response to continued pressure from the COB for more representation in the government, President Paz reshuffled his cabinet, increasing the COB' representatives from three to five.

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The American embassy in La Paz commented, however, that the cabinet changes constituted a sharp blow to the Communists. The embassy also observed that the inclusion of the five COB representatives, all of whom are strong MNR supporters, was a strategically wise move since in the difficult economic period ahead the support of labor will be required for many decisions unpalatable to labor but necessary if the difficulties are to be resolved.

The principal way the Bolivian Communists have sought to exploit the country's economic difficulties is by urging more extreme forms of policies endorsed by the MNR. Thus, the MNR has decreed a land reform program and nationalization of the tin mines under terms providing compensation for the landlords and for the mining companies, while the Communists have persistently called for outright expropriation. In recent weeks they have particularly attacked the Agrarian Reform Commission, which consists of six government and three labor representatives, for its delays in carrying out the reform decree of 2 August and have demanded that the program be administered instead by the agrarian syndicates.

Meanwhile, no solution is in sight for Bolivia's basic economic problem, the decline in the price of tin, which pays for half of Bolivia's food imports. The aid granted by the United States in October will be of considerable help in alleviating the immediate financial situation, but the exchange shortage for 1953 may still reach \$10,000,000.

The MNR's ability to maintain itself in power in the midst of the economic instability was demonstrated as recently as 9 November when the extreme rightist Bolivian Socialist Falange (FSB) failed in an attempt to seize power.

Charges have been made that the MNR government is strongly influenced by Communist thinking. The information available indicates that neither the MNR Party in the mass nor its most important leaders are Communists or crypto-Communists in spite of their distrust of traditional social and economic institutions and their ingrained suspicion of the United States and its motives.

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GREECE RESPONDS TO ORBIT POLICIES

Increasing economic and political relations between Greece and the Soviet bloc reflect Greece's need for expanded foreign trade. These relations, which are not yet extensive, probably will not jeopardize present Greek ties with the West, but they illustrate Greek susceptibility to Orbit tactics.

Greece, faced with an unfavorable balance of trade and unable to find sufficient Western markets for its exports, has been attracted by the prospect of restoring trade relations with the Orbit. Pressure from the business community following the Moscow Economic Conference in April 1952 apparently was largely responsible for the government's approval in June 1952 of the export of nonstrategic items to the bloc, and for trade talks in September of that year between the Greek and Polish delegates to the Economic Commission for Europe (ECE).

These talks were followed in April 1953 by similar discussions between the Greek ECE delegate and representatives from all the bloc countries except Albania. As a result, the Athens Chamber of Commerce concluded informal agreements with the Warsaw and Budapest chambers for the exchange of Greek agricultural products and pyrites for Polish and Hungarian manufactured products.

The Greek government, apparently bowing to Soviet preference for dealing on a formal governmental level, signed a \$7,000,000 trade agreement with the USSR. Trade discussions are now in progress for initial agreements with Bulgaria and East Germany and a new agreement with Czechoslovakia. Further talks with Rumania appear likely.

A considerable expansion in Greek trade with the Orbit is scheduled in the new agreements. The bloc may not be interested, however, in fulfilling the agreed quotas, and the Greek government, which has placed considerable emphasis on the agreement, may find itself increasingly embarrassed.

Desire for expanded trade with the Orbit has already led Greece to break an understanding with the United States that it would limit exports of pyrites to the bloc to 39,000 tons. The tendency to increase such shipments will presumably grow as American influence diminishes with the decline of American aid to Greece.

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These various trade talks have been accompanied by a parallel development in diplomatic relations. The Soviet Union decided in July 1953 to appoint Sergei Sergeev as the first ambassador to Greece since 1946. His efforts to develop closer Greek-Soviet ties underscore the advantage to the bloc of relations on a high diplomatic level. Since Sergeev's arrival in Athens, 12 prominent Greek cultural leaders visited Moscow for the celebration of the October Revolution. The ambassador attended the annual fair in Salonika, apparently in order to publicize Orbit commercial opportunities and possibly to encourage the Macedonian Communists, who have been particularly active in labor affairs.

A long-standing Greek offer to activate a boundary commission with Bulgaria was finally accepted by Sofia in late June and most of the disputed areas, especially the Evros River islands, have been satisfactorily divided. Since then, Bulgaria, apparently following the Soviet lead, announced on 8 September its willingness to resume diplomatic relations as well as commercial ties with Greece. Negotiations are under way. The Greek charge in Moscow recently reported that Rumania is willing to resume commercial and possibly diplomatic relations with Greece.

Despite the reduced tension in its relations with the Orbit, Greece is unlikely to lose interest in NATO or in military cooperation with Yugoslavia and Turkey. This is illustrated by Athens' rejection of the Soviet protest of 26 October against the establishment of Western bases on Greek soil. Moscow's more friendly attitude, however, will tend to strengthen popular pressure in Greece for a cut in military expenditures and for more extensive trade with the Orbit.

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